

Message Text

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PAGE 01 REYKJA 00976 191632Z

43

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-07 H-03 INR-11 L-03

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FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC PRIORITY 4658

INFO SECDEF WASHDC

USIA WASHDC

COMICEDEFOR

CINCLANT

USMISSION ANTO

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

C O N F I D E N T I A L REYKJAVIK 976

EO 11652: GDS

TAGS: PFOR PINT MARR IC NATO

SUBJECT: ICELANDIC POLITICAL SITUATION: FORMATION OF
NEW GOVT MAY BE IMMINENT

REF: REYKJAVIK 966

1. FORMATION OF NEW GOVT MAY BE MORE IMMINENT THAN
ANYONE HAS REALIZED. ALL PARTIES HAVE REPLIED TO
HALLGRIMSSON'S LETTER (REFTEL). OLL AND PA WHILE
AGREEING TO DISCUSS ECONOMIC SITUATION IN ICELAND
MADE CLEAR THEY WILL NOT JOIN IN COALITION WITH IP.
THE PP AND SDP REPLIES WERE LESS UNEQUIVOCAL, BUT WE
HAVE LEARNED THAT INDEPENDENCE PARTY LEADERSHIP CON-
SIDERS THEIR REPLIES AS LESS THAN ENTHUSIASTIC AND FEEL
PP WILL NOT AGREE TO JOIN A COALITION WITH IP. ON
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PAGE 02 REYKJA 00976 191632Z

JULY 22 IP WILL MEET WITH SDP AND PP TO DISCUSS MATTER.

IF, AS ANTICIPATED, THIS MEETING RESULTS IN FAILURE, HALLGRIMSSON WILL THEN ADVISE PRESIDENT OF THIS AND OLAFUR JOHANNESSEN WILL BE ASKED TO TRY FORM NEW GOVT. FEELING IS THAT HE WILL TRY FOR A FOUR-PARTY LEFTIST COALITION OF PP-PA-SDP-OLL. TO ATTRACT SUPPORT OF SDP CHAIRMAN GYLFI GISLASON WE HAVE HEARD PP AND PA ARE PREPARED TO OFFER GISLASON THE PRESIDENCY OF THE ALTHING, WHICH IS A PRESTIGIOUS AND POLITICALLY SIGNIFICANT POSITION.

2. FOR THE ABOVE TO MATERIALIZE, THE PA WILL HAVE TO SWALLOW QUITE A BIT ON THE DEFENSE AND ECONOMIC ISSUES, BUT THE VIEWS OF OUR SOURCES ARE THAT SOME ACCOMMODATION WILL BE MADE BY PA IN ORDER TO BRING ABOUT ANOTHER LEFTIST GOVT. OUR SOURCES, ALTHOUGH NOT ENTIRELY CERTAIN OF THIS, BELIEVE THE DEFENSE ISSUE ACCOMMODATION MAY BE A POSTPONEMENT OF ACTION BY ICELAND UNTIL THE ECONOMIC PROBLEMS OF THE COUNTRY ARE SOLVED, WITH A REITERATION, HOWEVER, THAT THE AIM OF THE GOVT IS STILL NOT TO HAVE AN ARMED FORCE IN ICELAND IN PEACETIME. IT MAY ALSO INVOLVE THE UNDERTAKING OF "DEFENSE STUDIES" TO BE CONDUCTED BY REPRESENTATIVES OF THE GOVERNING PARTIES. WHETHER THE LATTER BECOMES CAUSE FOR CONCERN WILL TO A LARGE EXTENT DEPEND ON WHO BECOMES FOREIGN MINISTER. IRVING

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